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INTRODUCTION

The Office of Internal Audit performed an audit of Gladwin County DHS for the period February 1, 2006 through April 27, 2007. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Gladwin County DHS had 20 full time equated positions (FTE's) at the time of our review. Gladwin County DHS provided assistance to an average 3,591 recipients per month in FY 2006, with total assistance payments of \$5,077,747.88 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Gladwin County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	State Emergency Relief (SER)
Direct Support Services	Payroll and Timekeeping
Procurement Card	CIMS/ASSIST
Client Processing	Children's' Protective Services Case Review

EXECUTIVE SUMMARY

Based on our audit, we conclude that Gladwin County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no material instances of noncompliance with control procedures for the Procurement Card, CIMS Input/Output, ASSIST, LASR, Cash Disbursements, General Ledger, Modified Accrual Basis Balance Sheet, Controlled Documents, or Client Intake Processing.

Gladwin County DHS has reconciling difference in the Cash with County Treasurer account and the Disbursing Account Bank Reconciliation. Regional Accounting is assisting Gladwin County DHS in correcting the reconciling differences.

We did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

Prior to completion of our onsite review Gladwin County DHS has submitted documents or initiated procedural changes to comply with the recommendations for findings # 2, 3, 5, 7, and 8.

LOCAL OFFICE RESPONSE

The management of Clare County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail dated June 8, 2007 that they are in general agreement with the report and have implemented corrective action for all findings.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST Security

CIMS Customized Status for Staff

1. Gladwin County DHS has customized the Client Information Management System (CIMS) status of nineteen staff for “CNTY” (county) transactions.

The Local Office currently does not require staff to perform transactions for its affiliated county on a regular basis. This status is rarely used.

The CIMS Security Policy posted on the Office of Security and Financial Services (OSFS) web-site states “CNTY” may be added to any number of local operators in order to perform file maintenance transactions on cases assigned to the affiliated county.

Assigning the "County" status to staff that are not required to use it increases the risk of inappropriate file maintenance transactions on the cases for the affiliated county.

WE RECOMMEND Gladwin County DHS review the need for staff to have the customized "county" status.

Inappropriate ASSIST Status for the Receptionist

2. Gladwin County DHS has assigned ASSIST job types that are inconsistent with staff job responsibilities.

The Local Office receptionist has been assigned ASSIST job types 360 (RSS) and 240 (ES). LO staff stated that the MA010 report is reviewed for any transactions performed by this staff. However the 240 (ES) status is not required or necessary for the receptionist.

Assigning staff an ASSIST job type that allows staff to register and open cases does not allow for the proper separation of duties.

WE RECOMMEND Gladwin County DHS delete the ASSIST job type 240 from the receptionist ASSIST job profile.

Unnecessary LASR User Responsibilities

3. Gladwin County DHS has assigned LASR responsibilities to staff that are not required to access LASR in order to perform their job duties.

Two staff that do not perform any LASR functions have been assigned LASR responsibilities and the Security User Responsibilities (SAX audit supervisor). The Fiscal Clerk has been assigned Security User Responsibilities (SAX audit supervisor) and also has LASR inquiry status for another county

L letter L-02-088-Systems states that staff granted access to the LASR security reports with the Security User Responsibilities (SAX Audit Supervisor) should be staff who do not have access to LASR or have inquiry only capability. System access should be given only to the staff that needs the access to perform job functions related to that system.

Granting LASR access to staff that do not perform any LASR functions and allowing the fiscal staff the Security User Responsibilities and inquiry status to another county weakens internal controls over the LASR system.

WE RECOMMEND Gladwin County DHS remove the LASR access of the two staff that do not have any LASR responsibilities.

WE ALSO RECOMMEND Gladwin County DHS remove the Security User Responsibilities (SAX Audit Supervisor) and the inquiry status to another county for the fiscal staff.

Reconciliation of the LASR Security Officer Log Report (LR-853)

4. Gladwin County DHS did not have staff reconcile the LASR Security Officer Log (LR-853) report with the LASR Security Access Request (FIA-84).

Internal Control criteria requires a complete reconciliation of the LASR Security Officer's Log Report (LR-853) with the LASR Security Access Request (FIA-84).

WE RECOMMEND Gladwin County DHS have staff reconcile the LASR Security Officer Log Report (LR-853) with the LASR Security Access Request (FIA-84).

Cash Receipts

Recording Warrants Returned to the Local Office

5. Gladwin County DHS does not prepare an Official Cashiers Receipt (DHS-3681) or record warrants returned in person by a client/provider on the Daily Record and Disposition of Checks, Warrants, EBT Cards (DHS-61).

Accounting Manual Item 462 states for warrants returned in person by the client/provider the Cashier must complete an Official Cashiers Receipt as a memo receipt and to record warrant information on the DHS-61 for warrants received from the Cashier.

WE RECOMMEND Gladwin County DHS prepare an Official Cashiers Receipt as a memo receipt for all warrants returned in person to the Local Office, and record the warrant information on the DHS61 as required by Accounting Manual Item 462.

Timely Deposits

6. Gladwin County DHS does not deposit cash and negotiable instruments in to the depository bank account on a timely basis. For the period October 2006 through March 2007 (6 months) the local office made 7 deposits. The funds deposited totaled \$10,695.93 and the average deposit was \$1,527.99.

Accounting Manual 430, page 5, requires deposits to be made weekly or when the total to be deposited reaches \$150.00.

WE RECOMMEND Gladwin County DHS deposit funds received weekly or when the total to be deposited reaches \$150.00 as required by Accounting Manual 430.

Controlled Documents

Inventory Control of Controlled Documents

7. Gladwin County DHS is not maintaining adequate inventory control over the use or record keeping of controlled documents.

The Local Office is not coordinating the month end physical inventory of the controlled documents with the monthly cutoff date for fiscal transactions. The physical inventory is always performed on the first day of the month. Fiscal transactions are frequently cutoff prior to the last day of the month. As a result the monthly physical inventory is taken after documents have been used in the previous month but have not been recorded in the fiscal records as being issued.

The physical inventory of controlled documents should be coordinated with the cutoff date for fiscal transactions to ensure the physical inventory reflects the monthly transactions before any documents are used and recorded in the next month's business.

Coordinating the month end physical inventory of controlled documents with the cut off date for recording fiscal transactions will improve internal controls over the fiscal process and controlled documents

WE RECOMMEND Gladwin County DHS coordinate the month end physical inventory and reconciliation of controlled documents with the fiscal office cutoff date for transactions

Entering Documents Used on the Monthly Controlled Document Reconciliation

8. Gladwin County DHS is not preparing the Monthly Controlled Document Inventory and Reconciliation (DHS-4351) as required by Accounting Manual policy.

The beginning and ending series numbers and the number of documents recorded on Line 7 (Number of Documents used during the month according to the

accounting records) on the Monthly Controlled Document and Inventory Reconciliation (DHS-4351) is not completed based upon examination of the accounting records.

The beginning # for the documents used on Line 7 is obtained from the previous ending inventory and entering the beginning document # of the working supply in box 3 from the prior month. The ending number on Line 7 is obtained by checking the actual inventory on hand and entering the number prior to the "beginning" document # in the current months working supply.

Accounting Manual Item 403 requires the total number of checks on the Check Register or the total number of receipts on the Receipts Register, etc, and the series of numbers posted to the accounting records for the month to be entered on line 7.

Completion of Line 7 on the Monthly Controlled Document Inventory and Reconciliation using the number of documents used during the month according to the accounting records will improve internal controls over the fiscal process and controlled documents.

WE RECOMMEND Gladwin County DHS Complete Line 7 on the Monthly Controlled Document Inventory and Reconciliation using the number of documents used during the month according to the accounting records as required by Accounting Manual Item 403

Direct Support Services

Missing Case Record Documentation

9. Gladwin County DHS has not followed established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS).

Eight payments for seven case records were examined to determine if the case record contained the appropriate documents relating to the Direct Support Services payment: five vehicle repairs, two vehicle purchases, and one insurance purchase. Two of the seven cases examined did not have the Support Services Determination and /or Education Plan (DHS-4749) on file

PEM 232 requires the DHS-4749, Support Services Determination, to be completed prior to authorizing payment. The DHS-4749 is used to document the service being requested.

Lack of the proper documents to determine eligibility and document a payment increases the risk of inappropriate payments Maintenance of case records is necessary in order to provide data to document a clients' eligibility.

WE RECOMMEND Gladwin County DHS follow established Direct Support Services policy PEM 232 and file all of the required documents in the case record.

Children's Protective Services

Missing Case Record Documentation

10. Gladwin County DHS has not followed established policy for the preparation of case record documents for CPS referrals.

Examination of two case records disclosed one case record that had a referral made by a mandatory reporting agency. The intake referral noted that the form for mandatory reporting agencies, the Report of Actual or Suspected Child Abuse or Neglect (DHS-3200), was requested. The police report was on file, however the DHS-3200 was not in the case record.

Children's Protective Services policy requires that the DHS-3200 be obtained from the mandatory reporting agency and placed in the case record.

WE RECOMMEND Gladwin County DHS obtain the Report of Actual or Suspected Child Abuse or Neglect (DHS-3200) from all mandatory reporting agencies.